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Schwab lawsuit, Raymond James woes: Top news September 2024
By Frank Gargano
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In September's roundup of pressing issues in the wealth management space, read on to learn about an elder scam lawsuit involving Charles Schwab, accusations against Raymond James for failures in customer complaint reporting, how the Federal Reserve's rate cut is impacting advisory strategies and more.

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Suit: Schwab should and could have stopped elder gold bar scam
Article by Dan Shaw

One day in late April, an elderly woman handed over nearly $80,000 worth of gold bars outside her retirement home to a "runner" she believed was tied to government agents helping her avoid fraud.

The person who took the delivery was, of course, a scammer. Now a lawsuit is accusing Charles Schwab of not doing enough to prevent its client, 92-year-old Ruth Rootenberg, from falling victim to a ploy that's deprived her of nearly all of her retirement savings.

The suit, filed in federal court in Los Angeles on Sept. 6, accuses Schwab of standing idly by as scammers posing as government agents defrauded Rootenberg of just over $278,000 between February and April this year. Throughout it all, according to the complaint, Rootenberg's daughter beseeched Schwab to lock the main account used for the fraudulent transactions.

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'Iron condor' options strategy costs Merrill $3.8M SEC penalty
Article by Dan Shaw

Merrill is paying the SEC nearly $4 million over an investment plan that saw its clients become overconcentrated in a complicated options trading strategy.

The Securities and Exchange Commission announced on Sept. 25 that it's hitting Bank of America's Merrill with a $3.8 million penalty for an investment plan it ran from March 2016 to April 2018 with a Norwalk, Connecticut-based firm named Harvest Volatility Management. Harvest, which agreed to pay $5.5 million as part of the same settlement, had enlisted Merrill to solicit clients for a collateral yield enhancement strategy, or a CYES, meant to use options trading both to juice returns and mitigate risks.

The SEC said Merrill and Harvest let clients specify through investment management agreements just how much exposure they wanted to the CYES. Despite having those explicit instructions, the firms allowed those limits to be exceeded, the regulator alleged.

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The most overlooked aspect of estate planning, and how to address it
Article by Rob Burgess

Advisors may be used to guiding clients through the estate planning process. But what about less-tangible assets, like those stored digitally?

That was the topic of the "Modern Estate Planning: Safeguarding Your Clients' Afterlife in the Cloud" panel at Future Proof Festival in Huntington Beach, California, last month. Janet Levaux, editor-in-chief of ThinkAdvisor, moderated the session, which featured panelists Jamie Hopkins, CEO of Bryn Mawr Trust, and Dave Haughton Sr., corporate counsel for Wealth.com.

Haughton said people generally don't consider how much of their lives are online and password-protected. For example, a client who dies suddenly could hold cryptocurrency in a digital wallet.

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As Fed announces half-point rate drop, advisors change investment strategies
Article by Rob Burgess

Now that we know that the Federal Reserve has lowered interest rates by half a percentage point, there are still several unanswered questions.

What is the investment mindset shift for financial advisors in an era of rate cuts?

How does it change the broader economic outlook going forward?

And what will happen with the rest of the 2024 rate cuts?

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Off the record: Raymond James accused of not reporting complaints
Article by Dan Shaw

A nearly $2 million fine amounts to hardly anything for a company the size of Raymond James.

But that's not the eye-popping part of the larger broker-dealer's recent settlement with the Financial Industry Regulatory Authority, say securities

lawyers. It's that the fine stems from the firm's alleged failure for years to report hundreds of customer grievances touching on everything from "forgery, theft, or misappropriation of funds or securities," according to FINRA.

Raymond James agreed in late August to pay $1.94 million to settle charges that it has not been properly forwarding customer complaints to the Financial Industry Regulatory Authority since at least 2018. The settlement completed on Aug. 29 with FINRA, the broker-dealer industry's self-regulator, mainly concerns a rule requiring firms to report complaints within 30 days of receiving them.

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Judge: Edward Jones didn't breach fiduciary duty by moving client assets
Article by Dan Shaw

A recently dismissed "reverse churning" case against Edward Jones is exposing a gaping hole in the duties hybrid firms owe to customers when they move their assets between brokerage and advisory accounts.

Judge Daniel Calabretta of the U.S. District Court for the Eastern District of California issued a summary judgment on Sept. 9 dismissing the claims of four investors who had accused Edward Jones in 2018 of not looking out for their best interests when it urged them to move into its Advisory Solutions channel. Before making that transfer, the clients had held their assets in Edward Jones brokerage accounts.

The moves to advisory accounts meant the investors had to begin paying fees calculated as a percentage of the assets they had under management. Before that, they had been paying commissions for every trade they authorized in their brokerage accounts.

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Why tax-related services drive business for RIAs
Article by Tobias Salinger

Tax-related services represent a major potential opportunity for financial advisors to expand their relationships with clients and grow their businesses, according to experts.

Possible changes to the rules governing estates and other potentially expiring provisions of the Tax Cuts and Jobs Act next year — and the respective competitive dynamics in the fields of accounting and wealth management — highlight the reasons behind frequent M&A deals, technology solutions and other moves marrying the professions under the same roof, four advisors and industry executives said in panels at September's Future Proof conference.

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Edward Jones wealth head looks to U.S. Bank deal for client insights
Article by Dan Shaw

Lena Haas says she and her colleagues at Edward Jones know their clients almost never want relationships with their financial advisors that are merely transactional.

As head of wealth management advice and solutions at the St. Louis-based firm, Haas finds herself always on the search for new ways for wealth managers to gain insights into their customers' needs and goals and establish a real connection. The latest step in that direction comes in the form of a partnership with U.S. Bank.

Starting next year, Edward Jones clients will be able to open checking accounts at the Minneapolis-based bank and take out credit cards bearing the name of both firms. They'll be able to access the new products through Edward Jones' website or on their phones using the Edward Jones app.

Click here to read the full story.

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This auto-IRA retirement bill has hope if Democrats win the House
Article by Rob Burgess

If Democrats retake the U.S. House of Representatives in November, a significant piece of retirement legislation could see the light of day.

However, not everyone is convinced it's the right approach.

The Automatic IRA Act of 2024, HR 7293, which proposes automatic enrollment into IRAs for most employees working for employers not currently sponsoring a retirement plan with opt-out features and auto-escalation, was introduced earlier this year by Rep. Richard Neal, D-Massachusetts. It has stalled due to Republican control of the chamber.

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Pets, equity, profit-sharing — how RIAs pay top financial advisor talent
Article by Tobias Salinger

Recruiting, retaining and compensating top financial advisor talent may revolve around ideas as basic as employee fitness benefits and help for their pets, according to an expert panel.

The challenges of succession and competing with other registered investment advisory firms for advisors is playing out differently than at wirehouses and other

large firms known for complex pay grids, enormous CEO pay and lengthy litigation sagas.

RIAs seeking to attract productive advisory teams and build succession bridges to the next generation of planners are using other perks, incentives and equity stakes to get an edge with advisors and plan for the future, according to three speakers at September's Future Proof conference who participated in a panel about compensation.

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